



Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Phlx Rules

February 4, 2021.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 26, 2021, Nasdaq PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Phlx Rules at Options 1, Section 1, “Applicability, Definitions and References”; Options 2, Section 4, “Obligations of Market Makers”; Options 2, Section 6, “Market Maker Orders”; Options 3, Section 6, “Firm Quotations”; Options 3, Section 7, “Types of Orders and Order and Quote Protocols”; Options 3, Section 10, “Electronic Execution Priority and Processing in the System”; Options 3, Section 13, “Price Improvement XL (“PIXL”)”; Options 3, Section 15, “Simple Order Risk Protections”; Options 3, Section 23, “Data Feeds and Trade Information”; Options 5, Section 4, “Order Routing”; Options 8, Section 2, “Definitions”; and Options 8, Section 32, “Types of Floor-Based (Non-System) Orders”.

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/phlx/rules>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Phlx Rules at Options 1, Section 1, “Applicability, Definitions and References”; Options 2, Section 4, “Obligations of Market Makers”; Options 2, Section 6, “Market Maker Orders”; Options 3, Section 6, “Firm Quotations”; Options 3, Section 7, “Types of Orders and Order and Quote Protocols”; Options 3, Section 10, “Electronic Execution Priority and Processing in the System”; Options 3, Section 13, “Price Improvement XL (“PIXL”)”; Options 3, Section 15, “Simple Order Risk Protections”; Options 3, Section 23, “Data Feeds and Trade Information”; Options 5, Section 4, “Order Routing”; Options 8, Section 2, “Definitions”; and Options 8, Section 32, “Types of Floor-Based (Non-System) Orders”. Each change is described below.

Options 1, Section 1

The Exchange proposes to update the cross reference within Options 1, Section 1(b)(46) to Options 1, Section 1(b)(45) and make other non-substantive grammatical amendments within Options 1, Section 1.

Options 2, Section 4

The Exchange proposes to add a title to Options 2, Section 4(c)(1) to make clear that this section applies intra-day. The Exchange proposes to add the title, “Intra-Day Bid/Ask Differentials (Quote Spread Parameters).”

Additionally, the Exchange proposes to remove the phrase, “or its decimal equivalent rounded down to the nearest minimum increment” within Options 2, Section 4(c)(1). This is a non-substantive amendment because the bid/ask differentials may be as wide as the spread between the national best bid and offer in the underlying security, if rounding up it would cause the spread to be wider than the underlying spread, so rounding is superfluous.

Options 2, Section 6

The Exchange previously filed a rule change³ to replace the term “Registered Options Traders” or “ROTs” with “Market Makers” and replace “Specialists” with “Lead Market Makers.” The Exchange is updating this rule to conform to those prior changes.

Options 3, Section 6

The Exchange proposes to amend Options 3, Section 6 to re-number and re-letter the rule to conform to Phlx’s rule structure, update rule citations, and add spacing where necessary.

The Exchange also proposes to amend current Options 3, Section 6(a)(ii)(B)(2)(g)(iv)(A)(4), which provides,

(A) If the Best Price is the Exchange’s next available price...

and is also equal to both the ABBO price and the Acceptable Range price, any remainder order volume from the execution on the Exchange will be routed away, and if after such routing, there still remain unexecuted contracts, the remainder will be posted on the Phlx at the Acceptable Range price for a period not to exceed ten seconds, and then cancelled after this time has elapsed, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order. During this up to ten second period, the

³ See Securities Exchange Act Release No. 88213 (February 14, 2020), 85 FR 9859 (February 20, 2020) (SR-Phlx-2020-03) (“Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Relocate Rules From Its Current Rulebook Into Its New Rulebook Shell”).

System will disseminate, on the opposite side of the market from remaining unexecuted contracts: (i) a non-firm bid for the price and size of the next available bid(s) on the Exchange if the remaining size is a seller, or (ii) a non-firm offer for the price and size of the next available offer(s) on the Exchange if the remaining size is a buyer.

The Exchange proposes to amend the sentence which provides,

If the Best Price is the Exchange's next available price... and is also equal to both the ABBO price and the Acceptable Trade Range price, any remainder order volume from the execution on the Exchange will be routed away, and if after such routing, there still remain unexecuted contracts, the remainder will be posted on the Phlx at the Acceptable Trade Range price for a period not to exceed ten seconds, and then cancelled after this time has elapsed, unless the member that submitted the original order has instructed the Exchange in writing to re-enter the remaining size, in which case the remaining size will be automatically submitted as a new order.

This statement does not represent the current function of the System. The Exchange proposes to amend the rule text to properly represent system functionality. Today, in this scenario, if the Exchange's next available price is the ABBO price (which equates to the Acceptable Trade Range price) after the remaining order has routed away and executed with quotes at the away exchange and the unexecuted contracts are returned to the Exchange, the incoming order may post at its original limit price, with a new timestamp and would be subject to certain entry checks. The Exchange proposes to amend the sentence to correctly provide,

If the Best Price is the Exchange's next available price... and is also equal to both the ABBO price and the Acceptable Trade Range price, any remainder order volume from the execution on the Exchange will be routed away, and if after such routing, there still remain unexecuted contracts, the unexecuted contracts would

post to the Order Book at their Limit Order price, with a new timestamp, subject to order entry price checks.

The order entry checks are applied for new orders when they post to the Order Book as provided for in Phlx Options 3, Section 5(a)(4). The Exchange filed prior rule changes⁴ which established Phlx's System as it exists today. As the new System was amended through a series of rule changes, certain technology was automated to prevent any manual intervention, and provide System-enforced functionalities. The Exchange believes that this process was modified with certain enhancements which further automated the System. The proposed amendment provides the market participant with greater certainty as to the order. Further, the Exchange offers market participants various options with respect to routing. A market participant may elect to route as a FIND or SRCH Order which provides the Exchange with instructions as to how an order may route anew once posted on the Order Book.⁵ A market participant may also choose to submit an order with varying TIF options (e.g. DAY, IOC, GTC) that provide the Exchange instructions as to how to either post an order on the Order Book or cancel back an order after exhausting its potential to trade upon entry.

The final sentence of Options 3, Section 6(a)(ii)(B)(2)(g)(iv)(A)(4),⁶ which is being removed, is no longer relevant in this scenario as the ten second period does not exist.

The Exchange proposes to amend current Options 3, Section 6(a)(ii)(B)(4)(a), which states, "If there are no offers both on the Exchange and on away markets in the affected series,

⁴ See Securities Exchange Act Release Nos. 50100 (July 27, 2004), 69 FR 46612 (August 3, 2004) (SR-Phlx-2003-59); 55498 (March 20, 2007, 72 FR 14318 (March 27, 2007) (SR-Phlx-2007-15); 59995 (May 28, 2009), 74 FR 26750 (June 3, 2009) (SR-Phlx-2009-32); and 72152 (May 12, 2014), 79 FR 28561 (May 16, 2014) (SR-Phlx-2014-32).

⁵ Options 5, Section 4 describes the various options routing functionalities available on Phlx.

⁶ During this up to ten second period, the System will disseminate, on the opposite side of the market from remaining unexecuted contracts: (i) a non-firm bid for the price and size of the next available bid(s) on the Exchange if the remaining size is a seller, or (ii) a non-firm offer for the price and size of the next available offer(s) on the Exchange if the remaining size is a buyer.

Market Orders to buy in the affected series will be cancelled immediately, and an electronic report of such cancellation will be transmitted to the sender.” The Exchange proposes to replace “cancelled immediately” with the term “rejected” to conform the rule text to conform to other uses of the word rejected in the Rulebook. The System would reject and not accept the order in this case.

Finally, the Exchange proposes to amend Supplementary Material .02 to Options 3, Section 6 which states, “In the event that an SQT, RSQT, and/or Lead Market Maker's electronically submitted quotations interact with the electronically submitted quotations of other SQTs, RSQTs and/or the Lead Market Maker, resulting in the dissemination of a “locked” quotation (e.g., \$1.00 bid - 1.00 offer), the locked quotations will automatically execute against each other in accordance with the allocation algorithm set forth in Options 3, Section 10.” The phrase, “resulting in the dissemination of a “locked” quotation (e.g., \$1.00 bid - 1.00 offer)” is out of date as under the current Options Order Protection and Locked/ Crossed Market Plan,⁷ the Exchange would not disseminate a locked quotation. Rather, the Exchange would reprice its quote as described within Options 3, Section 4(b)(6). As a result, the Exchange proposes to delete this rule text. The Exchange believes that this rule text existed prior to the Locked and Crossed Market Plan and was not updated when the new plan came into existence.

Options 3, Section 7

Similar to the changes proposed within Options 2, Section 6, the Exchange proposes to replace the term “Registered Options Traders” or “ROTs” with “Market Makers” and replace “Specialists” with “Lead Market Makers” within Options 3, Section 7 to conform to the remainder of the Rulebook.⁸

The Exchange proposes to amend All-or-None Orders within Options 3, Section 7(b)(5)

⁷ See Securities Exchange Act Release No. 60405 (July 30, 2009), 74 FR 39362 (August 6, 2009) (File No. 4-546).

⁸ See note 3 above.

to add more language to the description of an All-or-None Order to bring greater transparency to this order type. Today, the Exchange provides that All-or-None Orders are non-displayed and non-routable. To expand on this notion, the Exchange proposes to amend the sentence to provide, “All-or-None Orders are non-routable. The Exchange does not disseminate bids or offers of All-or-None Orders to OPRA and the Top of PHLX Options feed, however All-or-None Orders are displayed in the PHLX Orders⁹ and PHLX Depth of Book¹⁰ feed.” This additional rule text will make clear that these order types are not disseminated on OPRA or the Top of PHLX Options feed, however All-or-None Orders are displayed in the PHLX Orders and PHLX Depth of Book feed.¹¹ Further, the Exchange proposes to add, “If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met.” This language is intended to make clear that an All-or-None Order will not cause other orders to queue until such time as the All-or-None Order may execute. Rather, the All-or-None Order will rest on the Order Book until the contingency will be met, at which time that Public Customer All-or-None Order will have priority over other orders on the

⁹ See Phlx Options 3, Section 23(a)(2). PHLX Orders is a real-time full Limit Order book data feed that provides pricing information for orders on the PHLX Limit Order book. PHLX Orders is currently provided as part of the TOPO Plus Orders data product. PHLX Orders provides real-time information to enable users to keep track of the single order book(s), single and Complex Orders, and Complex Order Live Auction ("COLA") for all symbols listed on Phlx. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, leg information on complex strategies and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only.

¹⁰ See Phlx Options 3, Section 23(a)(3). PHLX Depth of Market is a data product that provides: (i) order and quotation information for individual quotes and orders on the PHLX book; (ii) last sale information for trades executed on Phlx; (iii) auction; and (iv) an Imbalance Message which includes the symbol, side of the market, size of matched contracts, size of the imbalance, and price of the affected series. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only.

¹¹ The Exchange discusses these data feeds in more detail below.

Book. The Exchange believes the addition of this rule text will bring greater transparency to the current System handling of All-or-None Orders.

The Exchange proposes to amend Options 3, Section 7(c)(3), “Opening Only,” to correct incorrect rule text, and also add a clarifying sentence. Today, Options 3, Section 7(c)(3) provides, “An Opening Only (“OPG”) order is entered with a Time in Force (“TIF”) of “OPG”. This order can only be executed in the Opening Process pursuant to Options 3, Section 8. This order type is not subject to any protections listed in Options 3, Section 15, except for Automated Quotation Adjustments.” The Exchange proposes to remove the phrase “except for Automated Quotation Adjustments” because, today, an OPG order is not subject to Automated Quotation Adjustments. As provided for within Options 3, Section 15(c), Automated Quotation Adjustments protections are available to Market Makers and Lead Market Makers only. Any participant may enter an Opening Only Order. Typically Market Makers and Lead Market Makers submit Valid Width Quotes,¹² as provided for within Options 3, Section 8, during the Opening Process. Further, an Opening Sweep,¹³ which is utilized by Market Makers and Lead

¹² A Valid Width Quote is a two-sided electronic quotation submitted by a Phlx Electronic Market Maker that meets the following requirements: options on equities and index options bidding and/or offering so as to create differences of no more than \$.25 between the bid and the offer for each option contract for which the prevailing bid is less than \$2; no more than \$.40 where the prevailing bid is \$2 or more but less than \$5; no more than \$.50 where the prevailing bid is \$5 or more but less than \$10; no more than \$.80 where the prevailing bid is \$10 or more but less than \$20; and no more than \$1 where the prevailing bid is \$20 or more, provided that, in the case of equity options, the bid/ask differentials stated above shall not apply to in-the-money series where the market for the underlying security is wider than the differentials set forth above. For such series, the bid/ask differentials may be as wide as the quotation for the underlying security on the primary market, or its decimal equivalent rounded down to the nearest minimum increment. The Exchange may establish differences other than the above for one or more series or classes of options. See Options 3, Section 8(a)(ix).

¹³ An Opening Sweep is a one-sided order entered by a Specialist or ROT through SQF for execution against eligible interest in the System during the Opening Process. This order type is not subject to any protections listed in Options 3, Section 15, except for Automated Quotation Adjustments. The Opening Sweep will only participate in the Opening Process pursuant to Options 3, Section 8 and will be cancelled upon the open if not executed. See Options 3, Section 7(b)(6). This definition is being amended herein to update the terms Specialist and ROT to Lead Market Maker and Market Maker.

Market Makers, is protected by Automation Quotation Adjustments. The Exchange also proposes to note that OPG orders may not route. Both of these amendments represent current System functionality. This additional information is proposed to bring greater clarity to this TIF.

Options 3, Section 10

The Exchange proposes to make a grammatical correction to Options 3, Section 10 which is non-substantive.

Options 3, Section 13

The Exchange proposes to update incorrect rule references within Options 3, Section 13.

The Exchange proposes to amend various references within Options 3, Section 13 to make clear the manner in which All-Or-None Orders¹⁴ are treated within a PIXL Auction. Specifically, the Exchange proposes to make clear that the term “Reference BBO,” as described within Options 3, Section 13(a)(2), describes displayed and non-displayed orders, however, All-Or-None Orders are not considered. The Exchange does not consider All-Or-None Orders, until the order is being allocated because the System is unable to determine whether an All-Or-None Order can be satisfied until the System receives responses to the PIXL Order and is able to allocate the PIXL Order. The Exchange proposes to add rule text to make clear where the Reference BBO or the Reference cPBBO¹⁵ is mentioned, whether All-Or-None Orders are

¹⁴ Options 3, Section 7(b)(5) provides, “An All-or-None Order is a Limit Order or Market Order that is to be executed in its entirety or not at all. An All-or None Order may only be submitted by a Public Customer. All-or-None Orders are non-displayed and non-routable. All-or-None Orders are executed in price-time priority among all Public Customer orders if the size contingency can be met. The Acceptable Trade Range protection in Options 3, Section 15(a) is not applied to All-Or-None Orders.” The Exchange is proposing to amend Options 3, Section 7(b)(5), please see discussion regarding All-or-None Order on page 9.

¹⁵ The term “cPBBO” means the best net debit or credit price for a Complex Order Strategy based on the PBBO for the individual options components of such Complex Order Strategy, and, where the underlying security is a component of the Complex Order, the National Best Bid and/or Offer for the underlying security. See Options 3, Section 14(a)(iv).

included or excluded. With respect to PIXL entry checks and, thereafter, the treatment of auction responses, All-Or-None Orders are not considered for price checks. The Exchange does consider All-Or-None Orders for allocation purposes. Options 3, Section 13(a)(5)(B)(i), which is not proposed to be amended, provides,

If the Initiating Member selected the single stop price option of the PIXL Auction (except if it is a Complex Order), PIXL executions will occur at prices that improve the stop price, and then at the stop price with up to 40% of the remaining contracts after Public Customer interest is satisfied being allocated to the Initiating Member at the stop price. However, if only one other participant matches the stop price, then the Initiating Member may be allocated up to 50% of the contracts executed at such price. Remaining contracts shall be allocated pursuant to the algorithm set forth in Options 3, Section 10(a)(1)(G) among remaining quotes, orders and PAN responses at the stop price. Thereafter, remaining contracts, if any, shall be allocated to the Initiating Member. The allocation will account for Surrender, if applicable.

Options 3, Section 10 considers All-Or-None Orders that can be satisfied. This proposal clarifies the current System operation.

The Exchange also proposes to add rule text, within Options 3, Section 13(f), to provide that with respect to a PIXL Order for the account of a Public Customer that is paired with an order for the account of another Public Customer, that All-or-None Orders that can be satisfied are included within the Reference BBO. The Exchange considers All-Or-None Orders when checking the Order Book for other Public Customer Orders. The proposed rule text within Options 3, Section 13(f) clarifies the current System operation. The addition of “including Reference BBO” is necessary with respect to Complex Orders because a Complex Public Customer-to-Public Customer Cross Order cannot trade equal to or through a non-displayed price. The Complex Public Customer-to-Public Customer Cross Order would be rejected if the

result were that it would trade at a price equal to or through the cPBBO.

The Exchange proposes to note “including Reference BBO” within Options 3, Section 13(b)(2)(C) and 13(f) to conform the rule text throughout the rule. These amendments represent current System operation. The Reference BBO also pertains to Complex Orders because the cPBBO is derived from displayed quotes for the individual legs.

These amendments are intended to bring greater clarity to the representation of All-Or-None Orders within this Rule.

The Exchange proposes to amend Options 3, Section 13 in various places to replace “one minimum price improvement increment,” with “\$0.01.” This amendment is non-substantive.

The Exchange proposes amendments to Options 3, Section 13(b)(7) and (8) to clarify the rule text. The proposed amendments are non-substantive and are similar to amendments recently made to BX Options 3, Section 13(ii)(I). The Exchange proposes to add some context to the rule to better reflect the current System operation. First, the Exchange purposes to add the word “execution” in the first sentences of Options 3, Section 13 (b)(7) and (8). The execution price of the PIXL Auction is utilized to compare to the price of an order on the Limit Order book. The Exchange utilizes the execution price today on Phlx. Adding the word “execution” makes clear to members that the initial PIXL Order stop price is not utilized to compare the same side of the market transactions at execution. If the potential execution price of the PIXL Order would be the same or better than the price of an order on the Limit Order book on the same side of the market as the PIXL Order then, today, the PIXL Order would be executed at a price \$0.01 better than such limit order, regardless of whether such limit was a Public or Non-Public Customer Order. Second, while the phrase “or better” is not clearly specified in the rule text, today, the System captures cases where PAN responses provide price improvement for the PIXL Order at prices that are crossed with the same side interest mentioned above. Third, the remainder of the changes are grammatical and technical in nature. The Exchange is creating two separate sentences for readability.

The remainder of the proposed changes within Options 3, Section 13 are grammatical or technical in nature and therefore non-substantive.

Options 3, Section 15

The Exchange proposes to amend Options 3, Section 15(c)(1) to make clear that the Anti-Internalization functionality does not apply during the Opening Process described within Options 3, Section 8. A similar change was recently made to BX's Rules.¹⁶ The Exchange proposes to clarify that Anti-Internalization does not apply during an Opening Process or reopening following a trading halt, pursuant to Options 3, Section 8, to provide more specificity on how this functionality currently operates. The same procedures used during an Opening Process are used to reopen an option series after a trading halt, and therefore proposes to specify that Anti-Internalization will not apply during the Opening Process (i.e., the opening and halt reopening processes). During the Opening Process, Lead Market Makers are able to observe the primary market and then determine how they would like to submit a Valid Width Quote. AIQ is unnecessary during an Opening Process due to the high level of control that Market Makers exercise over their quotes during this process. This clarifying rule text reflects current System functionality.

The Exchange also proposes to amend Options 3, Section 15 to note that with Automated Quotation Adjustments all interest entered through SQF will be automatically removed. As provided for within Options 3, Section 7(a)(i)(B),

Specialized Quote Feed” or “SQF” is an interface that allows Lead Market Makers, Streaming Quote Traders (“SQTs”) and Remote Streaming Quote Traders (“RSQTs”) to connect, send, and receive messages related to quotes, Immediate-or-Cancel Orders, and auction responses into and from the Exchange. Features include the following: (1) options symbol directory messages (e.g

¹⁶ See Securities Exchange Act Release No. 89759 (September 3, 2020). 85 FR 55877 (September 10, 2020) (SR-BX-2020-023).

underlying and complex instruments); (2) system event messages (e.g., start of trading hours messages and start of opening); (3) trading action messages (e.g., halts and resumes); (4) execution messages; (5) quote messages; (6) Immediate-or-Cancel Order messages; (7) risk protection triggers and purge notifications; (8) opening imbalance messages; (9) auction notifications; and (10) auction responses. The SQF Purge Interface only receives and notifies of purge request from the Lead Market Maker, SQT or RSQT. Lead Market Makers, SQTs and RSQTs may only enter interest into SQF in their assigned options series.

Today, Quotes and Immediate-or-Cancel Orders that may be entered through SQF are removed when the Automated Quotation Adjustment risk mechanism is triggered. The current rule text only considers quotes entered through SQF. The amendment will update the rule text to represent current System functionality, and will bring greater clarity to Automated Quotation removals. Market Makers and Lead Market Makers utilize the Immediate-or-Cancel Orders within SQF to respond to auctions. The auction response requires the same protection afforded by the Automation Quotation Adjustments which it affords the underlying option in which the Market Maker or Lead Market Maker is quoting continuously among its assigned options classes. The Automation Quotation Adjustments protection removes both quotes and Immediate-or-Cancel Orders submitted through SQF because Market Maker and Lead Market Maker risk applies to all interest in the underlying option in which the Market Maker or Lead Market Maker is assigned to quote in throughout the trading day. Market Makers and Lead Market Makers measure risk per underlying option. The System functionality for the Automated Quotation Adjustment is not being amended.

Options 3, Section 23

The Exchange proposes to amend Options 3, Section 23(a)(2) which describes the PHLX Orders data feed. The proposed amendments represent the current information contained in the PHLX Orders feed. The proposed amendments are intended to better represent the information

in the feed by adding more description to the current rule text.

The Exchange proposes to note in the first sentence of Options 3, Section 23(a)(2) that PHLX Orders is a real-time full Limit Order book data feed that provides pricing information for orders on the PHLX Order book for displayed order types and All-or-None Orders,¹⁷ as well as market participant capacity.

All-or-None Orders are non-displayed and non-routable. They are executed in price-time priority among all Public Customer Orders if the size contingency can be met. All-or-None Orders have a quantity contingency requiring the full quantity of the order to execute in order for any trade to take place which may cause the order to not execute. If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met.¹⁸ The Exchange is proposing to amend the rule text within Options 3, Section 7(b)(5) which describes All-or-None Orders to add more clarity about the dissemination of All-or-None Orders and the manner in which the System will bypass those orders if the contingency cannot be met.¹⁹

The PHLX Orders data feed displays all orders on the Phlx Order Book with original information, this is in contrast to the Top of PHLX Options²⁰ feed, which is not being amended

¹⁷ See note 14 above.

¹⁸ Options 3, Section 7(b)(5)(i) provides, “Non-Displayed Contingency Orders. A Non-Displayed Contingency Order shall be defined to include the following non-displayed order types: (1) Stop Orders; and (2) All-or-None Orders.” Unlike All-or-None Orders, Stop Orders are not available for execution until such time as the Stop Order’s contingency has been met, therefore, Stop Orders are not displayed on data feeds or OPRA until the Stop Order is available for execution.

¹⁹ See proposed Options 3, Section 7(b)(5).

²⁰ Top of PHLX Options (“TOPO”) is a direct data feed product that includes the Exchange’s best bid and offer price, with aggregate size, based on displayable order and quoting interest on Phlx and last sale information for trades executed on Phlx. The data contained in the TOPO data feed is identical to the data simultaneously sent to the processor for the OPRA and subscribers of the data feed. The data provided for each options series includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and whether the option series is available for trading on Phlx and identifies if the series is available for closing transactions only. See Options 3, Section 23(a)(1).

by this proposal, that only provides information as to the displayed Order Book. The Exchange does not disseminate All-or-None Orders to either the Top of PHLX Options feed or the OPRA data feed because All-or-None Orders may only execute if the contingency can be met, otherwise the System would bypass the All-or-None Order. As such, All-or-None Orders are non-displayed to avoid locking or crossing away markets by displaying this order type which may not execute because of the contingency attributed to the order pursuant to the Options Order Protection and Locked/Crossed Plan.²¹ The Exchange does display All-Or-None Orders on the PHLX Orders data feed to inform market participants of orders that are available for execution. Public Customers submitting All-or-None Orders on Phlx desire their orders to be executed and the display of those orders on the PHLX Orders data feed allows other member organizations to see their orders are available to execute against those orders.

Similar to Phlx, Cboe permits all-or-none orders to rest in its order book and does not disseminate all-or-none orders to OPRA.²² Similar to Phlx, Cboe displays all-or-none orders on its Orders and Depth of Book feed.²³

²¹ 17 CFR 242.608. The “NBBO” is the best Protected Bid and Protected Offer as defined in the Options Order Protection and Locked/Crossed Markets Plan; Protected Bids and Protected Offers that are displayed at a price but available on the Exchange at a better non-displayed price shall be included in the NBBO at their better non-displayed price for purposes of this rule. See Reg. NMS Rule 600(a)(42). Options 5, Section 1(o) defines a “Protected Bid” or “Protected Offer” as a Bid or Offer in an options series, respectively, that: (i) is disseminated pursuant to the OPRA Plan; and (ii) is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange.

²² Cboe Rule 5.6(b) provides, “...An “All-or-None” or “AON” order is an order to be executed in its entirety or not at all. An AON order may be a market or limit order. Users may not designate an AON order as All Sessions. (1) The Exchange does not disseminate bids or offers of AON orders to OPRA. (2) A User may not designate an AON order as Post Only. (3) An AON limit order is always subject to the Price Adjust process as set forth in Rule 5.32. (4) A User may apply MCN (as defined below), but no other MTP Modifier (if a User applies any other MTP Modifier to an AON order, the System handles it as an MCN), to an AON order. (5) The Exchange may restrict the entry of AON orders in a series or class if the Exchange deems it necessary or appropriate to maintain a fair and orderly market. (6) A User may not designate a bulk message as AON.”

²³ See Section 4.5 of this specification:
https://cdn.cboe.com/resources/membership/US_EQUITIES_OPTIONS_MULTICAST_

The Exchange proposes to remove the second use of the word “Limit”, as it is redundant. The additional text makes clear that both displayed and non-displayed orders types and market participant capacity are available.

The second sentence is being amended to add “and complex” in lieu of “single and Complex Orders, and Complex Order Live Auction (“COLA”) for all symbols listed on Phlx. The sentence, as proposed, would state, “PHLX Orders is currently provided as part of the TOPO Plus Orders data product. PHLX Orders provides real-time information to enable users to keep track of the single and complex order book(s).” The Exchange believes the proposed sentence is more succinct.

Finally, the Exchange proposes to add a sentence to the end of the description of PHLX Order feed that provides, “The feed also provides auction and exposure notifications and order imbalances on opening/reopening (size of matched contracts and size of the imbalance).” This additional information will more clearly describe the PHLX Orders feed. The Exchange also proposes to add the same sentence to the end of the description for the PHLX Depth of Market feed within Options 3, Section 23(a)(3) to also add the same specificity to that feed. The additional sentence reflects the current information provided in both the PHLX Orders and PHLX Depth of Market feeds.

The removal of the word “PHLX” within Options 3, Section 23(a)(3) and addition of the word “order” are non-substantive technical amendments.

Options 5, Section 4

The Exchange proposes to amend the sixth sentence of Options 5, Section 4(a) and make some technical amendments. As proposed, the sentence would provide, “For purposes of this rule, the Phlx’s best bid or offer or “PBBO” does not include All-or-None Orders or Stop Orders which have not been triggered. The “internal PBBO” shall refer to the actual better price of an

order resting on Phlx's Order Book, which is not displayed, but available for execution, excluding Stop Orders which have not been triggered and All-or-None Orders which cannot be satisfied." Stop Orders must be triggered to be included in the internal PBBO. A Stop Order is not available until such time as its contingency is triggered and then that Stop Order becomes available for execution. Also, the Exchange inadvertently did not include the phrase, "which cannot be satisfied" when referencing All-or-None Orders within Options 5, Section 4. The limitation is noted in other places within this rule. An All-or-None Order contingency must be met for this order type to execute, otherwise it will be executed at such time as the contingency could be met. Unlike the Stop Order which is only available once triggered,²⁴ the All-or-None Order is available for execution once the contingency is met. This proposed amendment reflects current System operation.

Options 8, Section 2

The Exchange proposes to add a sentence within Options 8, Section 2(a) which provides "The following terms as used in the Rules shall, unless the context otherwise indicates, have the meanings herein specified:". The Exchange proposes this sentence for context to the information which follows thereafter. This is a non-substantive change.

The Exchange proposes to add a new defined term, "Floor Lead Market Maker." This defined term will bring greater clarity to the Options 8 rules. The Exchange proposes to state, "The term 'Floor Lead Market Maker' is a member who is registered as an options Lead Market Maker pursuant to Options 2, Section 12(a) and has a physical presence on the Exchange's trading floor." This term is currently utilized within the Options 8 rules.

²⁴ Stop orders are inactive until they are "elected." Stop orders are elected when either the bid (offer) is updated to a price equal to or greater (less) than the stop price of a Buy (Sell) Stop order or an execution on the Exchange occurs at a price equal to or greater (less) than the stop price of a Buy(Sell) stop order. Stop order election takes place at the end of the transaction that caused the election and at that time the stop order enters the book as a new market or limit order depending on the participant instructions. Stop orders that are "electable" upon entry are rejected.

The Exchange proposes to add the word “Organization” within Options 8, Section 2(a)(5). The word was inadvertently left out. This is not a substantive change. The term “Member Organization” is a defined term within General 1, Section 1(17).

Options 8, Section 32

The Exchange proposes to amend Options 8, Section 32 to add “FLEX Option” to the list of order types that are available on Phlx. The Exchange proposes to provide that a FLEX Option is as described within Options 8, Section 34. Further, FLEX Options are not eligible for entry by a member for execution through the Options Floor Based Management System (“FBMS”).²⁵ Phlx Options 8, Section 22 provides,

(a) Options transactions on the Exchange's Trading Floor shall be executed in one of the following ways:

(1) automatically by the Exchange Trading System as provided in applicable Exchange Rules;

(2) through the Options Floor Based Management System. Members authorized to operate on the floor are not permitted to execute orders in the Exchange's options trading crowd, except as follows:

(A) The Exchange may determine to permit executions otherwise than in accordance with subparagraphs (1) and (2) above respecting an option or all options in the event of a problem with Exchange systems.

²⁵ FBMS, an order management system, is the gateway for the electronic execution of equity, equity index and U.S. dollar-settled foreign currency option orders represented by Floor Brokers on the Exchange's Options Floor. Floor Brokers contemporaneously upon receipt of an order and prior to the representation of such an order in the trading crowd, record all options orders represented by such Floor Broker into FBMS, which creates an electronic audit trail. The execution of orders into Phlx's electronic trading system also occurs via FBMS.

(B) In addition, members can execute orders in the options trading crowd pursuant to Options 8, Section 33, Accommodation Transactions (cabinet trades), and Options 8, Section 34, FLEX Equity, Index and Currency Options.

(C) Multi-leg orders with more than 15 legs can be executed in the trading crowd.

(D) The following split price orders that, due to FBMS system limitations, require manual calculation:

(i) simple orders not expressed in the applicable minimum increment ("sub-MPV") and that cannot be evenly split into two whole numbers to create a price at the midpoint of the minimum increment; and (ii) complex and multi-leg orders with at least one option leg with an odd-numbered volume that must trade at a sub-MPV price or one leg that qualifies under (i) above.

(E) As set forth in Options 8, Section 29(e)(v), members may use the Snapshot feature of the Options Floor Based Management System to provisionally execute orders in the options trading crowd.

* * * * *

Today, FLEX Options are executed in open outcry on the Trading Floor and not through the Options Floor Broker Management System as provided for within Options 8, Section 22(a)(1)(B).²⁶ The Exchange believes that the addition of FLEX Options within Options 8,

²⁶ The Exchange has previously noted that FLEX may be executed manually. See Securities and Exchange Act Release No. 69471 (April 29, 2013), 78 FR 26096 (May 3, 2013) (SR-Phlx-2013-09). The rule change noted that FLEX orders will continue to be executable by Floor Brokers in the trading crowd, rather than through FBMS because FBMS will not be able to accept FLEX orders, which have varied and complicated terms. Further, the Exchange requires floor brokers or their employees to enter the certain data elements into the Exchange's electronic audit trail in the same electronic format as the required information for equity and index options. Floor brokers or their employees must enter the required information for FLEX Options into the electronic audit trail on the same business day that a specific event surrounding the lifecycle of an order in FLEX

Section 34 will make clear the order types that are available for execution on the Trading Floor and also clearly note that this order type is not eligible for FBMS.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,²⁷ in general, and furthers the objectives of Section 6(b)(5) of the Act,²⁸ in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest.

Options 1, Section 1

The Exchange's proposal to update the cross reference within Options 1, Section 1(b)(46), and make other grammatical amendments within Options 1, Section 1 are non-substantive.

Options 2, Section 4

The Exchange's proposal to add a title to Options 2, Section 4(c)(1) to make clear that this section applies intra-day is consistent with the Act because it will bring greater clarity to the rule text.

The Exchange's proposal to remove the phrase, "or its decimal equivalent rounded down to the nearest minimum increment" within Options 2, Section 4(c)(1) is a non-substantive amendment because the bid/ask differentials may be as wide as the spread between the national best bid and offer in the underlying security, if rounding up it would cause the spread to be wider than the underlying spread, so rounding is superfluous.

Options 2, Section 6

The Exchange's proposal to update certain terms within Options 2, Section 6, which

(including, without limitation, orders, price or size changes, execution or cancellation) occurs. See Securities and Exchange Act Release No. 50997 (January 7, 2005), 70 FR 2444 (January 3, 2013) (SR-Phlx-2003-40). See also Options 8, Section 28(f).

²⁷ 15 U.S.C. 78f(b).

²⁸ 15 U.S.C. 78f(b)(5).

conforms with a previously filed rule change,²⁹ is consistent with the Act. The updates to change the names of the terms are non-substantive.

Options 3, Section 6

The Exchange's proposal to amend Options 3, Section 6 to re-number and re-letter the rule to conform to Phlx's rule structure, update rule citations, and add spacing where necessary are non-substantive amendments.

The Exchange's proposal to amend current Options 3, Section 6(a)(ii)(B)(2)(g)(iv)(A)(4) is consistent with the Act. While processing an order that is working through Acceptable Trade Ranges, if that order encounters a situation where the Exchange's next available price is the ABBO that also equals the outer limit of the Acceptable Trade Range, the order is able to post at its limit price on the Order Book after routing after it is executed with quotes at the away exchange. Any unexecuted contracts which return to the Exchange may post at their original limit price with a new timestamp, subject to certain entry checks. Order entry checks are applied for new orders when they post to the Order Book as provided for in Phlx Options 3, Section 5(a)(4). This proposed rule text protects investors and the general public because it will provide market participants with an expectation of how the System will handle orders that remain unexecuted in this scenario. The proposed amendment provides the market participant with greater certainty as to the order. Further, the Exchange offers market participants various options with respect to routing. A market participant may elect to route as a FIND or SRCH Order which provides the Exchange with instructions as to how an order may route anew once posted on the Order Book.³⁰ A market participant may also choose to submit an order with varying TIF options (e.g. DAY, IOC, GTC) that provide the Exchange instructions as to how to either post an order on the Order Book or cancel back an order after exhausting its potential to trade upon entry. Further, this amendment provides more liquidity on the Exchange with the order posting

²⁹ See note 3 above.

³⁰ See note 5 above.

to the Order Book, instead of potentially being cancelled after a 10 second period.

The Exchange's proposal to amend current Options 3, Section 6(a)(ii)(B)(4)(a), to replace the term "cancelled immediately" with "rejected" conforms the rule text to other uses of the word rejected within the Rulebook. This amendment is non-substantive.

Finally, the Exchange's proposal to amend Supplementary Material .02 to Options 3, Section 6 to remove the phrase, "resulting in the dissemination of a "locked" quotation (e.g., \$1.00 bid - 1.00 offer)" is consistent with the Act. This phrase is out of date as under the current Locked and Crossed Market Plan, the Exchange would not disseminate a locked quotation. Rather, the Exchange would reprice its quote as described within Options 3, Section 4(b)(6). The Exchange believes that this rule text existed prior to the Locked and Crossed Market Plan and was not updated since that plan came into existence. The amendment will protect investors and the general public by removing this inaccurate statement.

Options 3, Section 7

Similar to the changes proposed within Options 2, Section 6, the Exchange's proposal to replace the term "Registered Options Traders" or "ROTs" with "Market Makers" and replace "Specialists" with "Lead Market Makers" within Options 3, Section 7 conforms the usage of these terms within Phlx's Rulebook.³¹ These non-substantive amendments which update outdated terms within Options 3, Section 7 is consistent with the Act.

The Exchange's proposal to amend All-or-None Orders within Options 3, Section 7(b)(5) to add more language to the description of an All-or-None Order is consistent with the Act because the proposed rule text will bring greater transparency to this order type. The Exchange today provides that All-or-None Orders are non-displayed and non-routable. To expand on this notion, the Exchange proposes to amend the sentence to provide, "All-or-None Orders are non-routable. The Exchange does not disseminate bids or offers of All-or-None Orders to OPRA and

the Top of PHLX Options feed, however All-or-None Orders are displayed in the PHLX Orders and PHLX Depth of Book feed.” This additional rule text will make clear that these order types are not disseminated on OPRA. Further, the Exchange proposes to add, “If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met.” This language is intended to make clear that an All-or-None Order will not cause other orders to queue until such time as the All-or-None Order may execute. Rather, the All-or-None Order will rest on the Order Book until the contingency will be met, at which time that Public Customer All-or-None Order will have priority over other orders on the Book. The Exchange believes the addition of this rule text will bring greater transparency to the current System handling of All-or-None Orders.

The Exchange’s proposal to amend Options 3, Section 7(c)(3), “Opening Only,” to correct incorrect rule text, and also add a clarifying sentence, is consistent with the Act. Today, Options 3, Section 7(c)(3) provides, “An Opening Only (“OPG”) order is entered with a TIF of “OPG”. This order can only be executed in the Opening Process pursuant to Options 3, Section 8. This order type would continue to not be valid outside of the Opening Process. This order type is not subject to any protections listed in Options 3, Section 15, except for Automated Quotation Adjustments.” The Exchange proposes to remove the phrase “except for Automated Quotation Adjustments” because, today, an OPG order is not subject to Automated Quotation Adjustments. The Exchange believes that it is consistent with the Act to not apply any risk protections during the Opening Process as the Opening Process itself has boundaries within which orders will be executed. As provided for within Options 3, Section 15(c), Automated Quotation Adjustments protections are available to Market Makers and Lead Market Makers only. Any participant may enter an Opening Only Order. Typically Market Makers and Lead Market Makers submit Valid Width Quotes, as provided for within Options 3, Section 8, during the Opening Process. Further, an Opening Sweep,³² which is utilized by Market Makers and

³² An Opening Sweep is a one-sided order entered by a Specialist or ROT through SQF for

Lead Market Makers, is protected by Automation Quotation Adjustments. The Exchange's proposal to note that OPG orders may not route will bring greater transparency to the rule.

Options 3, Section 10

The Exchange's proposal to make a grammatical correction to Options 3, Section 10 is non-substantive.

Options 3, Section 13

The Exchange's proposal to update certain rule references within Options 3, Section 13 is non-substantive.

The Exchange's proposal to amend various references within Options 3, Section 13 to make clear the manner in which All-Or-None Orders are treated within a PIXL Auction is consistent with the Act as this rule text will bring greater clarity to the current System operation. All-or None Orders are Limit Orders or Market Orders that are to be executed in their entirety or not at all, and are non-displayed.³³ The term "Reference BBO," as described within Options 3, Section 13(a)(2), describes displayed and non-displayed orders, however, All-Or-None Orders are not considered. Today, the System does not consider All-Or-None Orders, until the order is being allocated because the System is unable to determine whether an All-Or-None Order can be satisfied until the System receives responses to the PIXL Order and is able to allocate the PIXL Order. The Exchange proposes to add rule text to make clear where the Reference BBO or the Reference cPBBO is mentioned, whether All-Or-None Orders are included or excluded. With respect to PIXL entry checks and, thereafter, the treatment of auction responses, All-Or-None Orders are not considered for price checks. The Exchange's proposal protects investors and the

execution against eligible interest in the System during the Opening Process. This order type is not subject to any protections listed in Options 3, Section 15, except for Automated Quotation Adjustments. The Opening Sweep will only participate in the Opening Process pursuant to Options 3, Section 8 and will be cancelled upon the open if not executed. See Options 3, Section 7(b)(6). This definition is being amended herein to update the terms Specialist and ROT to Lead Market Maker and Market Maker.

general public by considering the contingency associated with an All-Or-None Order when it can be determined if the All-Or-None Order can be satisfied based on allocation priority and responses received to the PIXL Order.

The Exchange's proposal to add rule text, within Options 3, Section 13(f), to provide that with respect to a PIXL Order for the account of a Public Customer that is paired with an order for the account of another Public Customer, that All-Or-None Orders that can be satisfied are included within the Reference BBO is consistent with the Act. Today, Phlx does consider All-Or-None Orders when checking the Order Book for other Public Customer Orders. The proposed rule text within Options 3, Section 13(f) clarifies the current System operation. Specifically, the addition of "including Reference BBO" is necessary with respect to Complex Orders because a Complex Public Customer-to-Public Customer Cross Order cannot trade equal to or through a non-displayed price. The Complex Public Customer-to-Public Customer Cross Order would be rejected if the result were that it would trade at a price equal to or through the cPBBO.

The Exchange's proposal to amend Options 3, Section 13 in various places to replace "one minimum price improvement increment," with "\$0.01" is a non-substantive amendment.

The Exchange's proposed amendments to Options 3, Section 13(b)(7) and (8) are consistent with the Act because they clarify the current rule text by adding "or better" to make clear that the execution price may be better than an order on the Limit Order Book. Today, this is the case. This context reflects the current System operation. . Similar amendments were made recently made to BX Options 3, Section 13(ii)(I).

The remainder of the proposed changes within Options 3, Section 13 are grammatical or technical in nature and therefore non-substantive.

Options 3, Section 15

The Exchange's proposal to amend Options 3, Section 7(c)(3), "Opening Only," to correct incorrect rule text, and also add a clarifying sentence is consistent with the Act. The

Exchange's proposal to remove the phrase "except for Automated Quotation Adjustments" because, today, an OPG order is not subject to Automated Quotation Adjustments. As provided for within Options 3, Section 15(c), Automated Quotation Adjustments protections are available to Market Makers and Lead Market Makers only. Any participant may enter an Opening Only Order. Typically Market Makers and Lead Market Makers submit Valid Width Quotes, as provided for within Options 3, Section 8, during the Opening Process. Further, an Opening Sweep, which is utilized by Market Makers and Lead Market Makers, is protected by Automation Quotation Adjustments. Nasdaq BX, Inc. recently adopted a similar rule.³⁴ This proposal represent current System functionality.

The Exchange's proposal to note that OPG orders may not route is consistent with the Act. This additional information will bring greater clarity to this TIF. This proposal represent current System functionality.

The Exchange's proposal to amend Options 3, Section 15(c)(1) to make clear that the Anti-Internalization functionality does not apply during the Opening Process described within Options 3, Section 8 is consistent with the Act. Anti-Internalization will not apply during an Opening Process is consistent with the Act as it would provide more specificity on how this functionality currently operates. During the Opening Process, Lead Market Makers are able to observe the primary market and then determine how they would like to quote. Anti-Internalization is unnecessary during an Opening Process due to the high level of control that Lead Market Makers exercise over their quotes during this process. A similar change was recently made to BX's Rules.³⁵

Options 3, Section 23

The Exchange's proposal to amend Options 3, Section 23(a)(2), which describes the

³⁴ See Securities Exchange Act Release No. 89731 (September 1, 2020), 85 FR 55524 (September 8, 2020) (SR-BX-2020-016) (Order Approving Proposed Rule Change To Amend BX's Opening Process in Connection With a Technology Migration).

³⁵ See note 16 above.

PHLX Orders data feed, is consistent with the Act. All-or-None Orders are non-displayed and non-routable. They are executed in price-time priority among all Public Customer Orders if the size contingency can be met. All-or-None Orders have a quantity contingency requiring the full quantity of the order to execute in order for any trade to take place which may cause the order to not execute. If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met.

The PHLX Orders data feed displays all orders on the Phlx Order Book with original information, this is in contrast to the Top of PHLX Options feed, which is not being amended by this proposal, that only provides information as to the displayed Order Book. The Exchange does not disseminate All-or-None Orders to either the Top of PHLX Options feed or the OPRA data feed because All-or-None Orders may only execute if the contingency can be met, otherwise the System would bypass the All-or-None Order. As such, All-or-None Orders are non-displayed to avoid locking or crossing away markets by displaying this order type which may not execute because of the contingency attributed to the order pursuant to the Options Order Protection and Locked/Crossed Plan.³⁶ The Exchange does display All-Or-None Orders on the PHLX Orders data feed to inform market participants of orders that are available for execution. Public Customers submitting All-or-None Orders on Phlx desire their orders to be executed and the display of those orders on the PHLX Orders data feed allows other member organizations to see their orders are available to execute against those orders.

Similar to Phlx, Cboe permits all-or-none orders to rest in its order book and does not disseminate all-or-none orders to OPRA.³⁷ Similar to Phlx, Cboe displays all-or-none orders on

³⁶ 17 CFR 242.608. Pursuant to Section 6 of the Plan, Locked and Crossed Markets, The Participants agree that they shall establish, maintain and enforce written rules that: (a) Require their members reasonably to avoid displaying Locked and Crossed Markets; (b) Are reasonably designed to assure the reconciliation of Locked and Crossed Markets; and (c) Prohibit its members from engaging in a pattern or practice of displaying Locked and Crossed Markets; in all cases subject to such exceptions as may be contained in the rules of a Participant approved by the Commission.

³⁷ Cboe Rule 5.6(b) provides, "...An "All-or-None" or "AON" order is an order to be

its Depth of Book feed.³⁸ The proposed amendments represent the current information contained in the PHLX Orders feed. The proposed amendments are intended to add more description and bring greater clarity to the rule text.

Options 5, Section 4

The Exchange's proposal to amend Options 5, Section 4(a) is consistent with the Act as the proposal clarifies the definition of internal PBBO. Stop Orders must be triggered to be included in the internal PBBO. A Stop Order is not available until such time as its contingency is triggered and then that Stop Order becomes available for execution. Also, the Exchange inadvertently did not include the phrase, "which cannot be satisfied" when referencing All-or-None Orders within Options 5, Section 4. The limitation is noted in other places within this rule. An All-or-None Order contingency must be met for this order type to execute, otherwise it will be executed at such time as the contingency could be met. Unlike the Stop Order which is only available once triggered,³⁹ the All-or-None Order is available for execution once the contingency is met. This proposed amendment reflects current System operation.

Options 8, Section 2

The Exchange's proposal to add a new defined term, "Floor Lead Market Maker" is consistent with the Act and will bring greater clarity to the Options 8 rules. This term is

executed in its entirety or not at all. An AON order may be a market or limit order. Users may not designate an AON order as All Sessions. (1) The Exchange does not disseminate bids or offers of AON orders to OPRA. (2) A User may not designate an AON order as Post Only. (3) An AON limit order is always subject to the Price Adjust process as set forth in Rule 5.32. (4) A User may apply MCN (as defined below), but no other MTP Modifier (if a User applies any other MTP Modifier to an AON order, the System handles it as an MCN), to an AON order. (5) The Exchange may restrict the entry of AON orders in a series or class if the Exchange deems it necessary or appropriate to maintain a fair and orderly market. (6) A User may not designate a bulk message as AON."

³⁸ See Section 4.5 of this specification.
https://cdn.cboe.com/resources/membership/US_EQUITIES_OPTIONS_MULTICAST_PITCH_SPECIFICATION.pdf.

³⁹ See note 24 above.

currently utilized within the Options 8 rules.

The Exchange's proposal to add an introductory sentence within Options 8, Section 2(a) is a non-substantive amendment which will bring greater clarity to the rule text. The addition of the word "Organization" within Options 8, Section 2(a)(5) will correct the rule text to provide for a defined term.

Options 8, Section 32

The Exchange's proposal to amend Options 8, Section 32 to add "FLEX Option" to the list of order types that are available on Phlx is consistent with the Act because the addition of FLEX Options within Options 8, Section 34 will make clear the order types that are available for execution on the Trading Floor. Today, FLEX Options are executed in open outcry on the Trading Floor and not through the Options Floor Broker Management System as provided for within Options 8, Section 22B.⁴⁰

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

Options 1, Section 1

The Exchange's proposal to update the cross reference within Options 1, Section 1(b)(46) and make other grammatical amendments within Options 1, Section 1 does not impose an undue burden on competition as these amendments are non-substantive.

Options 2, Section 4

The Exchange's proposal to add a title to Options 2, Section 4(c)(1) to make clear that this section applies intra-day does not impose an undue burden on competition because it will bring greater clarity to the rule text.

The Exchange's proposal to remove the phrase, "or its decimal equivalent rounded down

⁴⁰ See note 25 above.

to the nearest minimum increment” within Options 2, Section 4(c)(1) does not impose an undue burden on competition. This is a non-substantive amendment because the bid/ask differentials may be as wide as the spread between the national best bid and offer in the underlying security, if rounding up it would cause the spread to be wider than the underlying spread, so rounding is superfluous.

Options 2, Section 6

The Exchange’s proposal to update certain terms within Options 2, Section 6 conform the rule with the use of terms in the Rulebook⁴¹ and does not impose an undue burden on competition. These changes are non-substantive.

Options 3, Section 6

The Exchange’s proposal to amend Options 3, Section 6 to re-number and re-letter the rule to conform to Phlx’s rule structure, update rule citations, and add spacing where necessary does not impose an undue burden on competition as these amendments are non-substantive.

The Exchange’s proposal to amend current Options 3, Section 6(a)(ii)(B)(2)(g)(iv)(A)(4) does not impose an undue burden on competition as this proposal will correct the rule text within Options 3, Section 6, and provide market participants with the expected outcome in this scenario. The proposed amendment provides the market participant with greater certainty as to the order. Further, the Exchange offers market participants various options with respect to routing and time in force. A market participant may elect to route as a FIND or SRCH Order which provides the Exchange with instructions as to how an order may route anew once posted on the Order Book.⁴² A market participant may also choose to submit an order with varying TIF options (e.g. DAY, IOC, GTC) that provide the Exchange instructions as to how to either post an order on the Order Book or cancel back an order after exhausting its potential to trade upon entry.

The Exchange’s proposal to amend current Options 3, Section 6(a)(ii)(B)(4)(a), to replace

⁴¹ See note 3 above.

⁴² See note 5 above.

“cancelled immediately” with the term “rejected” conforms the rule text to other uses of the word rejected within the Rulebook. This amendment is non-substantive.

The Exchange’s proposal to amend Supplementary Material .02 to Options 3, Section 6 does not impose an undue burden on competition as this amendment corrects out of date rule text. The System does not disseminate locked quotations, rather the System re-prices orders. The amendment will remove an inaccurate statement and bring greater clarity to the Rulebook.

Options 3, Section 7

The Exchange’s proposal to update certain terms within Options 3, Section 7 to conform to a prior rule change⁴³ does not impose an undue burden on competition. These changes are non-substantive.

The Exchange’s proposal to amend All-or-None Orders within Options 3, Section 7(b)(5) to add more language to the description of an All-or-None Order does not impose an undue burden on competition because the proposed rule text will bring greater transparency to this order type. The Exchange today provides that All-or-None Orders are non-displayed and non-routable. To expand on this notion, the Exchange proposes to amend the sentence to provide, “All-or-None Orders are non-routable. The Exchange does not disseminate bids or offers of All-or-None Orders to OPRA and the Top of PHLX Options feed, however All-or-None Orders are displayed in the PHLX Orders and PHLX Depth of Book feed.” This additional rule text will make clear that these order types are not disseminated on OPRA. Further, the Exchange proposes to add, “If an All-or-None Order contingency cannot be met, the All-or-None Order would be bypassed until such time as the contingency could be met.” This language is intended to make clear that an All-or-None Order will not cause other orders to queue until such time as the All-or-None Order may execute. Rather, the All-or-None Order will rest on the Order Book until the contingency will be met, at which time that Public Customer All-or-None Order will

have priority over other orders on the Book. The Exchange believes the addition of this rule text will bring greater transparency to the current System handling of All-or-None Orders.

The Exchange's proposal to amend Options 3, Section 7(c)(3), "Opening Only," to amend incorrect rule text, and also add a clarifying sentence does not impose an undue burden on competition. An OPG Only Order may be executed by any market participant in the Opening Process pursuant to Options 3, Section 8. This order type would continue to not be not valid outside of the Opening Process.

Removing the phrase "except for Automated Quotation Adjustments" does not impose an undue burden on competition because, today, an OPG Order is not subject to Automated Quotation Adjustments. The Opening Process itself has boundaries within which orders will be executed. Any participant may enter an Opening Only Order. Typically Market Makers and Lead Market Makers submit Valid Width Quotes, as provided for within Options 3, Section 8, during the Opening Process. Further, an Opening Sweep which is utilized by Market Makers and Lead Market Makers, is protected by Automation Quotation Adjustments. The Exchange's proposal to note that OPG orders may not route will bring greater transparency to the rule.

Options 3, Section 10

The Exchange's proposal to make a grammatical correction to Options 3, Section 10 is non-substantive.

Options 3, Section 13

The Exchange's proposal to update certain rule references within Options 3, Section 13 is non-substantive.

The Exchange's proposal to amend various references within Options 3, Section 13 to make clear the manner in which All-Or-None Orders are treated by the System within a PIXL Auction does not impose an undue burden on competition as this rule text will bring greater clarity to the current System operation. All market participants will be treated in a uniform manner when they enter an All-Or-None Order into PIXL.

The Exchange's proposal to add rule text, within Options 3, Section 13(f), to provide that with respect to a PIXL Order for the account of a Public Customer that is paired with an order for the account of another Public Customer, that All-Or-None Orders that can be satisfied are included within the Reference BBO does not impose an undue burden on competition. The proposed rule text within Options 3, Section 13(f) clarifies the current System operation. The Reference BBO also pertains to Complex Orders because the cPBBO is derived from displayed quotes for the individual legs.

The Exchange's proposal to make clear where the Reference BBO is specified within this rule, or the Reference cPBBO, that All-or-None Orders are excluded does not impose an undue burden on competition. The Exchange proposes to note "including Reference BBO" within Options 3, Section 13(b)(2)(C) and 13(f) to conform the rule text. The Reference BBO also pertains to Complex Orders because the cPBBO is derived from displayed quotes for the individual legs. This represents current System operation.

The Exchange's proposal to amend Options 3, Section 13 in various places to replace "one minimum price improvement increment," with "\$0.01" is a non-substantive amendment.

The Exchange's proposed amendments to Options 3, Section 13(b)(7) and (8) do not impose an undue burden on competition because they clarify current rule text without any substantive amendment.

The remainder of the proposed changes within Options 3, Section 13 are grammatical or technical in nature and therefore non-substantive.

Options 3, Section 15

The Exchange's proposal to note that the Automated Quotation Adjustments protection removes both quotes and Immediate-or-Cancel Orders does not impose an undue burden on competition. Market Makers and Lead Market Makers utilize the Immediate-or-Cancel Orders within SQF to respond to auctions. The auction response requires the same protection afforded by the Automation Quotation Adjustments which it affords the underlying option in which the

Market Maker or Lead Market Maker is quoting continuously among its assigned options classes. The Automation Quotation Adjustments protection removes both quotes and Immediate-or-Cancel Orders submitted through SQF because Market Maker and Lead Market Maker risk applies to all interest in the underlying option in which the Market Maker or Lead Market Maker is assigned to quote in throughout the trading day. Market Makers and Lead Market Makers measure risk per underlying option. The System functionality for the Automated Quotation Adjustment is not being amended.

The Exchange believes its proposal to clarify that Anti-Internalization will not apply during an Opening Process does not impose an undue burden on competition as it would provide more specificity on how this functionality currently operates. During the opening, Market Makers are able to observe the primary market and then determine how they would like to quote. Market Makers are sophisticated market participants that have their own tools and other protections to manage risk during the Opening Process.

Options 3, Section 23

The Exchange's proposal to amend Options 3, Section 23(a)(2), which describes the PHLX Orders data feed, does not impose an undue burden on competition. The proposed amendments represent current information contained in the PHLX Orders feed. This proprietary data feed displays all orders on the Order Book with original information, whereas the Exchange's the Top of PHLX Options feed, which is not being amended by this proposal, only provides information as to the displayed order book. The Exchange does not disseminate non-displayed order information to the OPRA data feed, rather only non-displayed prices are submitted. The Exchange does display All-Or-None Orders on the PHLX Orders data feed to inform market participants of orders that are available for execution. Public Customers submitting All-or-None Orders on Phlx desire their orders to be executed and the display of those orders on the PHLX Orders data feed allows other member organizations to see their orders are available to execute against those orders. The proposed amendments are simply

clarifying in nature and intended to add more description to the rule.

Options 5, Section 4

The Exchange's proposal to amend Options 5, Section 4(a), and make some technical amendments, does not impose an undue burden on competition. Stop Orders must be triggered to be included in the internal PBBO. A Stop Order is not available until such time as its contingency is triggered and then that Stop Order becomes available for execution. Also, the Exchange inadvertently did not include the phrase, "which cannot be satisfied" when referencing All-or-None Orders within Options 5, Section 4. The limitation is noted in other places within this rule. An All-or-None Order contingency must be met for this order type to execute, otherwise it will be executed at such time as the contingency could be met. Unlike the Stop Order which is only available once triggered,⁴⁴ the All-or-None Order is available for execution once the contingency is met. This proposed amendment reflects current System operation and will bring greater clarity to the rule.

Options 8, Section 2

The Exchange's proposal to add a new defined term, "Floor Lead Market Maker" does not impose an undue burden on competition. This defined term, which is currently utilized within the Options 8 rules, will bring greater clarity to the Options 8 rules.

The Exchange's proposal to add an introductory sentence within Options 8, Section 2(a) that provides context to the information that follows is a non-substantive amendment. The addition of the word "Organization" within Options 8, Section 2(a)(5) will make clear the reference to the defined term "member organization."

Options 8, Section 32

The Exchange's proposal to amend Options 8, Section 32 to add "FLEX Option" to the list of order types that are available on Phlx does not impose an undue burden on competition

because the addition of FLEX Options within Options 8, Section 34 will make clear the order types that are available for execution on the Trading Floor. Today, FLEX Options are executed in open outcry on the Trading Floor and not through the Options Floor Broker Management System as provided for within Options 8, Section 22B.⁴⁵

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act⁴⁶ and subparagraph (f)(6) of Rule 19b-4 thereunder.⁴⁷

A proposed rule change filed under Rule 19b-4(f)(6)⁴⁸ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),⁴⁹ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange asserts that waiver of the 30-day operative delay would be consistent with the protection of investors and the general public by permitting the Exchange to immediately

⁴⁵ See note 23 above.

⁴⁶ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴⁷ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

⁴⁸ 17 CFR 240.19b-4(f)(6).

⁴⁹ 17 CFR 240.19b-4(f)(6)(iii).

remove the two incorrect and contradictory sentences in the Phlx routing rule to bring greater clarity and transparency to its rules. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest as it will bring greater transparency to the rules of the Exchange. Accordingly, the Commission waives the 30-day operative delay and designates the proposed rule change operative upon filing.⁵⁰

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2021-05 on the subject line.

Paper comments:

- Send paper comments in triplicate to Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

⁵⁰ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

All submissions should refer to File Number SR-Phlx-2021-05. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-Phlx-2021-05 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁵¹

J. Matthew DeLesDernier,
Assistant Secretary.

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⁵¹ 17 CFR 200.30-3(a)(12).